

**Investor newsletter** – 22 August 2019

## **HYPO NOE Group reports strong results for the first half of 2019**

- Profit before tax EUR 19.9mn (H1 2018: EUR 25.5mn) – normalised<sup>1</sup> +14.2% vs. H1 2018
- Higher operating profitability – net interest income up 2.9%, net fee and commission income up 18.6%
- Further efficiency gains – administrative expenses down by 3.6% on H1 2018
- Strong new business – new loans of EUR >800mn granted (H1 2018: EUR >600mn)
- CET1 ratio as at 30 June 2019 at a high 19.1% (“pro-forma” at 19.5%)

### **Semi-annual result 2019 well above multi-year average**

HYPO NOE Group reports a strong profit before tax of EUR 19.9mn for the first six months of 2019 (H1 2018: EUR 25.5mn) and a net profit of EUR 15.0mn (H1 2018: EUR 19.9mn). Normalised<sup>1</sup>, in particular for the proceeds from the sale of a non-operating property in the first half of 2018, profit before tax shows a clear increase of 14.2%, highlighting the Group’s solid operating performance. Extraordinary statutory effects totalling EUR 13.7mn again heavily weighed on earnings.<sup>2</sup>

### **Operating profitability is improving continuously**

The development in H1 2019 was once more driven by strong and further increasing operating core earnings. In a persistently challenging environment, net interest income increased by 2.9% to EUR 57.3mn, net fee and commission income grew by 18.6% to EUR 9.2mn, as a result of the initiated expansion of the services business. With new loans of more than EUR 800mn (H1 2018: EUR >600mn), new business in the first half of 2019 turned out to be very successful and well diversified across business segments.

### **Ongoing savings through “Zukunftsfut 2020”**

On the basis of the ongoing “Zukunftsfut 2020” efficiency enhancement programme, administrative expenses were further markedly reduced by 3.6% to EUR 61.6mn in H1 2019 (-11.4% vs. H1 2016; start of the programme). Accordingly, the cost-income ratio (CIR) improved year-on-year by almost seven percentage points to 61.4% (H1 2018: 68.3%). As part of “Zukunftsfut 2020”, currently targeted investments in the Group’s digital infrastructure are on the agenda. Besides, the participation structure was further optimised in the first six months of the year, in the sense of a clear focus on the core business.

<sup>1</sup> H1 2018: Normalised profit before tax EUR 17.3mn (proceeds from the sale of a non-operation property of EUR 8.3mn)  
H1 2019: Normalised profit before tax EUR 19.7mn (measurement of the claim from the HETA contingent additional purchase price, addition to the provision for negative interest on corporate loan agreements)

<sup>2</sup> Supplementary one-off stability contribution: EUR 6.1mn, deposit insurance and resolution fund contributions: EUR 7.6mn

### **Quality of assets is increasing steadily**

The risk result was again characterised by reversals in the first half of 2019, reflected in the EUR 3.4mn surplus reported under the “Impairment losses/gains on financial assets – IFRS 9 ECL” item, despite the deteriorating economy (H1 2018: EUR 8.3mn). The already-low non-performing loan (NPL) ratio continued to decline and amounted to a very low 1.3% as at 30 June 2019 (31 December 2018: 1.4%). The steady increase in the quality of assets underlines the Group’s proactive risk policy, aiming at maintaining the conservative risk profile.

### **CET1 ratio among the highest within the EU**

The CET1 ratio remained robust at 19.1% as at 30 June 2019 (31 December 2018: 21.0%). Taking into account the earnings from H1 2019, the “pro-forma” CET1 ratio even amounted to 19.5%. The planned reduction at a high level compared with year-end 2018 is due to growth in core business. For that reason, capitalisation was strengthened in recent years. As at 30 June 2019, the Group’s capital base was just under six percentage points significantly above the minimum regulatory requirement, including SREP, so that HYPO NOE Group is one of the best-capitalised banks not only nationally but also in Europe.

### **Balance sheet development reflects successful core business**

As a result of successful new lending, HYPO NOE Group’s total assets increased by 5.8% to EUR 14.9bn as at 30 June 2019 compared to year-end 2018. “Financial assets – AC”, of which loans constitute 92.7%, increased by EUR 0.7bn to EUR 12.4bn, reflecting growth in core business. Correspondingly, “Financial liabilities – AC” rose to EUR 12.8bn, also by EUR 0.7bn, with the deposit-taking component of this item continuing to rise slightly to 37.8% compared to the end of 2018.

### **Outlook for the second half of 2019**

For the remainder of 2019, the focus will be on further increasing profitability on the basis of strengthened core earnings, continuously improving the quality of assets and maintaining a strong capital base. The stable and reliable 100% ownership of the State of Lower Austria enables a sustainable implementation of this strategy, so that we are optimistic about the business performance in the coming months.

The full 2019 semi-annual financial report is available at [www.hyponoe.at/en/ir](http://www.hyponoe.at/en/ir).



Kind regards  
The Investor Relations team

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